REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

RECEIVER OF REVENUE - REVENUE STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2024

COUNTY GOVERNMENT OF MERU

HARAMBEE

LIPA USHURU

JENGA MERU

MERU COUNTY
REVENUE BOARD

OFFICE OF THE AUDITOR - GENERAL
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RECEIVER OF REVENUE
(County Government of Meru)

REVENUE STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2024

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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1. Acronyms and glossary of terms

a) Acronyms

CA	County Assembly
COB	Controller of Budget
CRF	County Revenue Fund
FY	Financial Year
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PSASB	Public Sector Accounting Standards Board
ROR	Receiver of Revenue
CEO	Chief Executive Officer
CECM	County Executive Committee Member

b) Glossary of terms

Comparative FY	Comparative Prior Financial Year
Fiduciary Management	The key management personnel who had financial responsibility

2. Key Entity Information and Management

(a) Background information

The *receiver of revenue* is under the Department of Finance. At the County Executive Committee level, the *receiver of revenue* is represented by the County Executive committee member for Finance, who is responsible for the general policy and strategic direction of the *receiver of revenue*. The *receiver of revenue* is designated as a receiver by the County Executive Committee member for Finance, in accordance with section 157 of the PFM Act.

(b) Principal activities

The receiver of revenue collects revenue and remits to the County Revenue Fund (CRF).

(c) Key Management Team

The County Government of Meru' day-to-day management of revenue is under the following:

S/No	Name	Position
1	**CPA Ibrahim Mutwiri**	CECM Finance and Economic Planning
2	**CPA Edward Macharia**	CEO
3	**CPA Charles Mwenda**	Chief Officer Finance
4	**Fridah Kagwiria Kiruguru**	Ag. Director Revenue
5	**CPA William Mwenda**	Head of Revenue Reporting

(d) County Headquarters

P.O. Box 3246-60200
MKU Building
Meru Maua Highway
Meru, KENYA

(e) Entity Contacts

Telephone: (254) 0202184288
E-mail:
merurevenueboard@gmail.com
Website: www.meru.go.ke

(f) Independent Auditor

Auditor General
Kenya National Audit Office
Anniversary Towers, University
Way
P. O. Box 30084
GPO 00100
Nairobi, Kenya

Key Entity information and Management (continued)

(g) Principal Legal Adviser The
Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square
00200 Nairobi,
Kenya

(h) Bankers
Kenya Commercial Bank Meru,
Kenya Cooperative Bank Meru Branch

(i) County Attorney
(a) *Meru County Attorney*

3. Foreword By the CECM Finance and Economic Planning

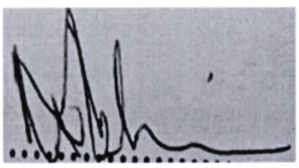
(Pursuant to section 164 of the Public Finance Management Act, 2012 at the end of each Financial Year, the County Treasury shall prepare Financial Statements in respect of the County Government of Meru in formats to be prescribed by the Accounting Standards Board.

It is my pleasure to present the County Government of Meru receiver of revenue statements for the year ended 30th June 2024.

Own generated revenues play a vital role in running the day-to-day operations of the county government since it finances its operations. The key local revenue sources for County included business permits, vehicle parking fees, land rates, plot rents, business plan approval, advertising fees, cess and various other administrative charges.

The County Government will deepen reforms for resource mobilization towards improved local revenue collection by:

i. Fully rolling-out automation of revenue collection system and sensitizing the public on use of the same.
ii. Capacity building on staff to enhance accountability and efficiency in operations.
iii. Enhance revenue enforcement.
iv. Enhance monitoring of revenue collection in order to seal loopholes and leakages among other interventions.
v. Preparation of valuation roll and enhancement of laws related to land rates.
vi. Facilitating to acquire more vehicles for revenue operations.
vii. Fast-tracking passing of the current finance bill



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CECM Finance and Economic Planning
County Government of Meru

4. Management Discussion and Analysis

Own source revenue has been performing well in the recent years although the year under review we faced some challenges as below:

i. Perennial challenge of mobility due the unavailability of enough vehicles affected revenue collection in all sub counties.
ii. An out-dated valuation roll.
iii. Inadequate budget allocation which has severely affected the operations of the board.
iv. Delayed passing of relevant laws including finance Act.

Remedies taken to curb the above challenges

a) The department has made arrangements with other county departments to make use of the available vehicles.
b) A budget has been allocated to take care of the minor repairs in the markets.
c) An updated valuation roll is being prepared to ensure it captures all the plots within the major towns.
d) A new revenue management system which is cashless has been acquired which is more efficient.

The management was and is keen in ensuring that county realizes its potentiality in collecting and maximizing its own source of revenue by applying many other mechanisms. Like, the year under review; management made it easier for the taxpayers to pay taxes by granting waivers to the land and plot owners to pay only the principal amount by waiving the penalties and interests.
Management also carried out civic education to various groups by meeting stakeholders to sensitize them on the importance of paying taxes. The stakeholders included matatu owners' association, market committees and market traders.
To ensure total revenue compliance,management has already adopted a cashless mode of revenue collection which will ensure all revenue streams are paid on a cashless mode. This will ensure efficient revenue collection and revenue collection will be maximized.
In Kaguru ATC a number of remedies have been initiated such as;

i. Partnerships are critical for success: The Centre cannot achieve its goals alone. Collaborating with stakeholders such as universities, research institutions, and government agencies has been key to achieving success in various projects.

ii. Sustainable resource management is essential: The centre has learned that resources need to be managed sustainably to ensure long-term productivity. Adopting sustainable practices such as conservation agriculture, agroforestry, and efficient use of water resources has been beneficial.

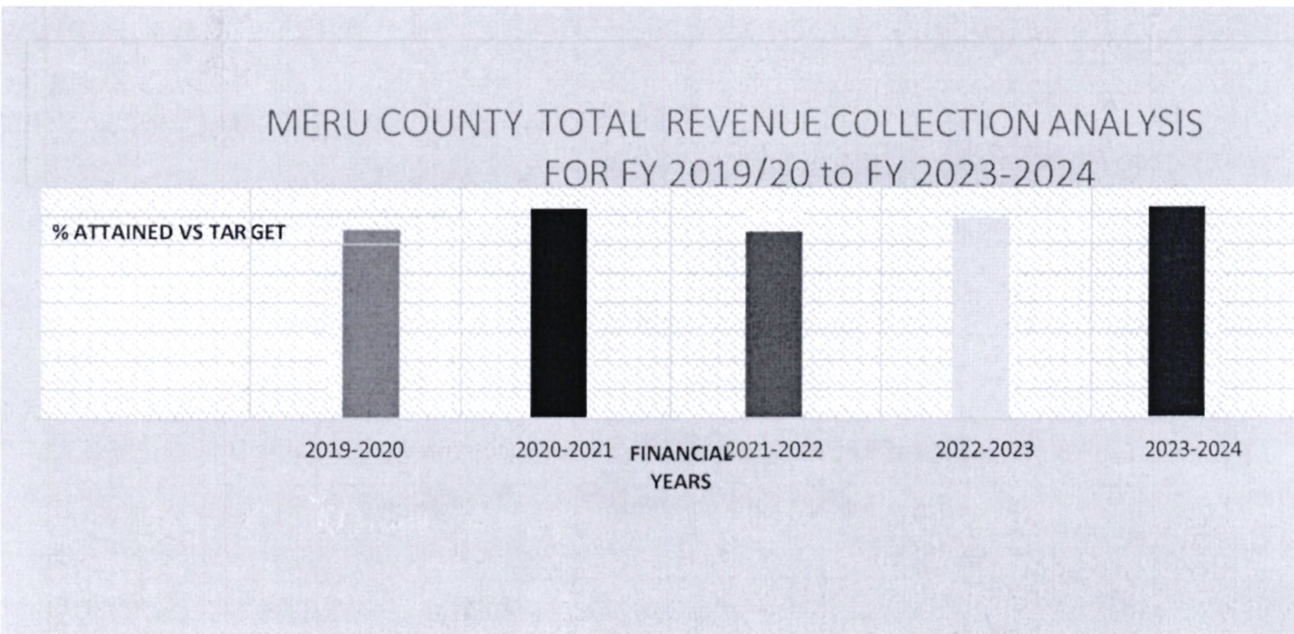
iii. Market research and information is crucial: Conducting market research is important to understand consumer needs and preferences. This has helped in the development of market-driven products and services that are relevant to the target market.

iv. Strategic planning is necessary: Having a strategic plan is essential in achieving its goals. A strategic plan helps in guiding the organization towards a shared vision, and enables the allocation of resources to the most important priorities.

v. Investment in technology and infrastructure is critical: Investment in technology and infrastructure is necessary to improve efficiency and productivity. The acquisition of modern machinery and equipment has enabled the centre to increase its capacity and improve its service delivery.

vi. Monitoring and evaluation is important: It is critical in measuring progress and identifying areas that need improvement. Regular monitoring and evaluation has enabled the centre to make data-driven decisions and adjust its strategies as necessary.

The table below illustrates revenue performances in FY 2019/2020 to FY 2023/2024



5. Statement of Receiver of Revenue's responsibilities

Section 165 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, a receiver of revenue for a county government shall prepare an account in respect of the revenue collected, received and recovered by the receiver during that financial year.

The Receiver of Revenue is responsible for the preparation and presentation of the *receiver of revenue account*, which gives a true and fair view of the state of affairs of the *receiver of revenue* for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the statement of assets and liabilities of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the entity, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Receiver of Revenue in charge accepts responsibility for the *entity's receiver of revenue* accounts, which have been prepared on the Cash Basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. The Receiver of Revenue is of the opinion that the *entity's receiver of revenue* account gives a true and fair view of the state of *entity's receiver of revenue* transactions during the financial year ended June 30, 2024, and of the *entity's* statement of assets and liabilities as at that date. The Receiver of Revenue further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the *receiver of revenue account* as well as the adequacy of the systems of internal financial control.

The Receiver of Revenue confirms that the *entity* has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable). The Receiver of Revenue confirms that the revenue statements have been prepared in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the Revenue Statements

The *revenue* statements were approved and signed by the Receiver of Revenue on 27th September 2024

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CPA Edward Macharia
County Receiver of Revenue

REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke
Website:www.oagkenya.go.ke

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON RECEIVER OF REVENUE - REVENUE STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2024 - COUNTY GOVERNMENT OF MERU

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE REVENUE STATEMENTS

Qualified Opinion

I have audited the accompanying revenue statements of Receiver of Revenue - County Government of Meru set out on pages 1 to 20, which comprise of the statement of financial assets and liabilities and statement of arrears of revenue as at 30 June, 2024, statement of receipts and disbursements, and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the revenue statements present fairly, in all material respects, the financial position of the Receiver of Revenue - County Government of Meru as at 30 June, 2024, and of its financial performance for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported and Undisclosed Arrears of Revenue

The statements of arrears of revenue reflects a Nil balance. However, the statement of receipts and disbursements and as disclosed in Note 2 to the financial statements reflects County own generated land rates receipts amount of Kshs.21,645,179. The receipts include an amount of Kshs.20,718,891 and Kshs.926,288 in respect of land rates and penalties respectively. However, Management did not disclose arrears of revenue as required by Section 165 2(b) of the Public Finance Management Act, 2012.

Similarly, Management has not demonstrated efforts being undertaken to recover the outstanding rates contrary to Section 157(2) of the Public Finance Management Act, 2012 which requires the receiver of County Government revenue to ensure that the revenue for which the receiver is responsible is collected or recovered and is accounted for.

In the circumstances, the accuracy and completeness of the Nil arrears of revenue balance could not be confirmed.

2. Unconfirmed Revenues

2.1 Undisclosed Revenue from Service Provider

The statement of receipts and disbursements reflects County own source revenue amount of Kshs.376,008,437 which has decreased by Kshs.20,632,978 from Kshs.396,641,415 collected in the 2022/2023 financial year. Review of records revealed that Management entered into a contract with a local service provider for supply, delivery, implementation, customization and commissioning of a revenue collection and management automation system for Meru County at contract sum of Kshs.49,905,910 for five (5) years commencing on 24 April, 2018. Further, the service provider was to be paid transaction fees equivalent to 4% percent of all the funds collected through payment gateway for revenue up to Kshs.499,999,999 exclusive of any taxes applicable and an additional 1.5% percent on revenue above Kshs.500,000,000.

Further review of records revealed that upon the expiry of the contract on 23 April, 2023, the parties agreed to extend the contract for six (6) months ending 26 October, 2023 with no changes on the terms. Consequently, Management awarded to another local contractor, the contract for the supply, delivery installation, testing and commissioning of an integrated county revenue management system capable of revenue collection and automated management of revenue for Meru County at a contract price of Kshs.55,002,000 effective from 27 October, 2023. Out of the contract price of Kshs.55,002,000, an amount of Kshs.44,958,051 was paid during the financial year. However, the initial service provider's records, handover reports, analysis of collections, disbursements and reconciliation reports were not provided for audit.

In the absence of above records, it was not possible to confirm the amount collected between the period of 1 July, 2023 and 26 October, 2024.

2.2 Unsupported Commission Payments to the Service Providers

Review of the contract between the County Government of Meru and the revenue collection service provider revealed that the County is obligated to pay 4.8% (percent) of the total revenue collected per month in addition to the fixed contract sum of Kshs.55,002,000. Review of financial statements for Meru Revenue Board revealed that an amount of Kshs.15,000,000 was captured as commission for the service provider however, the expenditure was not supported by payment vouchers, invoices and period. In the absence of supporting documents, it was not possible to confirm what the payment was for, how much had been paid and amount owed to the service provider.

In the circumstances, it was not possible to confirm the accountability of the commissions obligated to the service provider.

2.3 Unsupported Revenue

The statement of receipts and disbursements reflects County own source revenue amount of Kshs.376,008,437. However, the revenue was not supported by revenue collected per revenue stream, revenue collected by collection channel and period, payment channel used to effect a transaction and total transaction amounts per County collector.

In the circumstances, the accuracy and completeness of the County's own source revenue amount of Kshs.376,008,436 could not be confirmed.

3. Unsupported Single Business Permits Revenue

The statement of receipts and disbursement and as disclosed in Note 3 to the financial statements reflects an amount of Kshs.122,935,196 in respect of Single Business Permits collected during the year. The revenue includes an amount of Kshs.6,146,759 and Kshs.116,788,436 for application fees and annual business permits respectively. However, the Receiver of Revenue did not maintain an updated register of the businesses in the County contrary to Section 26 of Meru County Finance Act, 2019 and Section 130(b)(iv) of Public Finance Management Act, 2012. In the absence of the register, it was not possible to establish the actual businesses owners who could not have applied for the annual business permits.

In the circumstances, the accuracy and completeness in respect of Single Business Permits revenue amount of Kshs.122,935,196 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Receiver of Revenue – County Government of Meru Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget versus actual amounts reflects final revenue budget and actual on comparable basis of Kshs.562,000,000 and Kshs.376,008,437 respectively resulting to under-collection of Kshs.185,991,563 or 33% of the budget.

Under-collection affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Matters

Review of the progress on follow up on prior year auditor's recommendations reveal that, several issues were raised under the Report on Financial Statements, Report on

Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance which remained unresolved contrary to Section 149(2)(l) of the Public Finance Management Act, 2012 which require Accounting Officers designated for county government entities to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

Management is responsible for the Other Information set out on pages i to viii which comprise of Receiver of Revenue's information and overall performance, statement of performance against Receiver of Revenue's predetermined Objectives, Environmental and Sustainability Reporting and Statement of Receiver of Revenue's Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Receiver of Revenue - County Government of Meru financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Undisclosed Revenue

The Meru County Receiver of Revenue had an approved final budget receipts amount of Kshs.562,000,000 which excluded budgeted revenue of Kshs.69,719,770 in respect of Meru Alcoholic Licensing and Control Board. The Board collected Kshs.58,945,577 however, review of the County own generated receipts revealed that the Board collects and spends the funds at source instead of remitting to the County Revenue Fund for accountability. No evidence has been provided for audit review on the authority to spend at source. This was contrary to Section 109(2) of the Public Finance Management Act, 2012 which requires the County Treasury for each County Government to ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund.

In the circumstances, Management was in breach of the law.

2. Officer Acting for More than Six Months

Review of human resource records revealed that an officer has been acting in the position of Director for more than six months, and has neither been formally appointed to the position nor any further action been taken to regularize their appointment. This was contrary to Human Resource Policy Section C.14(1) When an officer is eligible for appointment to a higher post and is called upon to act in that post pending advertisement of the post, he is eligible for payment of acting allowance at the rate of twenty percent (20%) of his substantive basic salary. Acting allowance will not be payable to an officer for more than six (6) months.

In the circumstances, Management was in breach of the law.

3. Non-Submission of the Revenue Board Reports

During the financial year under review, the Management did not prepare quarterly financial reports detailing the activities and plans of the Board, the performance of the Board, details of financial and non-financial performance of the Board as required by law. This was contrary to Section 15 of Meru County Revenue Act, 2014 which states that the Board shall within fifteen days from the close of every quarter, submit quarterly report on the performance of the Board which should be annexed to the County Quarterly Report.

In the circumstances, Management was in breach of the law.

4. Undisbursed Funds

The statement of receipts and disbursement reflects own source revenue collected totalling Kshs.376,008,437 with an amount brought forward, transfers to County Revenue Fund and bank charges amounting to Kshs.7,447,580, Kshs.379,410,917 and Kshs.119,387, respectively resulting to undisbursed revenue totalling Kshs.3,925,714. This was contrary to Section 17(1) of Meru County Revenue Act, 2014 which states that; all revenue collected by or payable under this Act shall be collected by the Board and paid into the County Revenue Fund.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the of Internal Controls, Risk Management and Governance section of my report I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Weaknesses in Monitoring and Controls in Revenue Collection

The statement of receipts and disbursement reflects own source revenue collected totalling Kshs.376,008,437. However, daily revenue control sheets detailing the M-pesa and cash deposit references for cess, street parking fees, market entry fees and slaughter fees were not provided. Further, there were no daily or weekly revenue reconciliation and monitoring reports to confirm the accuracy of revenue receipts recorded per revenue stream against actual banking.

In the circumstances, there were no adequate internal controls and safeguards applied for the collection and accounting for revenue.

2. Lack of Risk Management Policy Framework

The County Executive operated without a documented Risk Management Policy Framework contrary to the requirements of the National Treasury Circular No.3/2009 of 23 February, 2009 which requires all Heads of public institutions to develop and implement a risk management framework as a fundamental step towards establishing an accountable and innovative public service. In addition, there was no effective reporting system that included hotlines, report centers and whistle blower policy.

In the circumstances, failure to enforce internal control procedures may lead to fraudulent practices, possible loss and leakage of data due to lack of security and knowledge of handling information. Lack of ICT policy may expose the Receiver of Revenue to risk or loss or missuse of IT assets.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Receiver of Revenue's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Receiver of Revenue's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 December, 2024

7. Statement of Receipts and Disbursements for the year ended 30th June 2024

	Note	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
County Own Source Revenue			
Cess	1	55,759,879.18	49,975,483.23
Land Rate	2	21,645,179.00	26,921,066.22
Single/Business Permits	3	122,935,196.00	129,343,568.10
Property Rent	4	12,110,100.00	19,223,929.86
Parking Fees	5	50,063,556.00	49,271,738.71
Market Fees	6	26,937,279.00	33,533,525.66
Advertising	7	42,008,345.00	37,164,198.86
Physical Planning and Development	8	21,281,578.00	26,015,333.00
Hire Of County Assets	9	7,892,270.50	11,201,768.75
Conservancy Administration	10	244,400.00	282,200.00
Administration Control Fees and Charges	11	12,268,184.10	11,121,,653.00
Other Fines, Penalties, And Forfeiture Fees	12	2,862,470.00	2,586,950.00
Total County Own Source Revenue		**376,008,436.78**	**396,641,415.39**
Total Receipts		**376,008,436.78**	**396,641,415.39**
Balance b/f at the beginning of the year		7,447,579.92	4,453,670.44
Disbursements To CRF		- 379,410,916.68	- 393,647,505.91
Bank charges	13	- 119,386.50	- 115,000.00
Balance Due for Disbursement		**3,925,713.52**	**7,332,580.92**

The accounting policies and explanatory notes to these revenue statements form an integral part of the revenue statements. These revenue statements were approved on 27th September 2024 and signed by:

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CPA Edward Macharia
County Receiver of Revenue

CPA Machoki William Mwenda
Head of Revenue Reporting
ICPAK M/No:19584

8. Statement of Financial Assets and Liabilities As at 30th June 2024

	Note	FY 2023/2024	FY 2022/2023
		Kshs	Kshs
Financial Assets			
Cash And Cash Equivalents			
Bank Balances	14	4,045,100.02	6,995,725.92
Cash In Hand	15	-	451,855.00
Total Financial Assets		4,045,100.02	7,447,580.92
Total Financial Assets		**4,045,100.02**	**7,447,580.92**
Financial Liabilities		-	
Payables-Due to CRF	16	4,045,100.02	7,447,579.92
Total Financial Liabilities		**4,045,100.02**	**7,447,579.92**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27th Sept 2024 and signed by:

....
CPA Edward Macharia
County Receiver of Revenue

....
CPA Machoki William Mwenda
Head of Revenue Reporting
ICPAK M/No:19584

9. Statement of Comparison of budget vs Actual Amounts for the Period Ended 30th June 2024

Receipt	Original Targets	Adjustments	Final Targets	Actual On Comparable Basis	Budget Realization Difference	% Of Realization
	A	B	C=A+B	D	E=C-D	F=D/C %
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
County Own Source Revenue						
Cess	76,858,347.35	-	76,858,347.35	55,759,879.18	21,098,468.17	73%
Land Rate	50,401,371.32	-	50,401,371.32	21,645,179.00	28,756,192.32	43%
Single/Business Permits	167,903,300.00	-	167,903,300.00	122,935,196.00	44,968,104.00	73%
Property Rent	24,260,361.33	-	24,260,361.33	12,110,100.00	12,150,261.33	50%
Parking Fees	78,004,240.00	-	78,004,240.00	50,063,556.00	27,940,684.00	64%
Market Fees	50,890,420.00	-	50,890,420.00	26,937,279.00	23,953,141.00	53%
Advertising	48,075,055.00	-	48,075,055.00	42,008,345.00	6,066,710.00	87%
Physical Planning and Development	31,424,610.00	-	31,424,610.00	21,281,578.00	10,143,032.00	68%
Hire Of County Assets	12,063,685.00	-	12,063,685.00	7,892,270.50	4,171,414.50	65%
Conservancy Administration	340,605.00	-	340,605.00	244,400.00	96,205.00	72%
Administration Control Fees and Charges	18,663,755.00	-	18,663,755.00	12,268,184.10	6,395,570.90	66%

Other Fines, Penalties, And Forfeiture Fees	3,114,250.00	-	3,114,250.00	2,862,470.00	251,780.00	92%
Total County Own Source Revenue	**562,000,000.00**	-	**562,000,000.00**	**376,008,436.78**	**185,991,563.22**	**67%**
Other Receipts		-		-		
Total Other Receipts	-	-	-	-	-	0%
Total Receipts	**562,000,000.00**	-	**562,000,000.00**	**376,008,436.78**	**185,991,563.22**	**67%**

The County Receiver of revenue's financial statements were approved on27th September 2024 and signed by:

....
CPA Edward Macharia
County Receiver of Revenue

....
CPA Machoki William Mwenda
Head of Revenue Reporting
ICPAK M/No:19584

10. Statement of Arrears of Revenue As at 30th June 2024

Classification Of Receipts (Indicate As Applicable)	Balance as at The beginning of the current year (1st July 20xx) A	Arrears received during the year. B	Additions in arrears for the current year to June 30, 20xx C	Total arrears as at 30 June 20xx D=A+(B)+C	Measures taken to recover the arrears	Assessment to the recoverability of arrears
Cess	-	-	-	-		
Land rate	-	-	-	-		
Single/Business Permits	-	-	-	-		
Property Rent	-	-	-	-		
Parking Fees	-	-	-	-		
Market Fees	-	-	-	-		
Advertising	-	-	-	-		
Hospital Fees	-	-	-	-		
Public Health Service Fees	-	-	-	-		
Physical Planning and Development	-	-	-	-		
Hire Of County Assets	-	-	-	-		
Conservancy Administration	-	-	-	-		
Administration Control Fees and Charges	-	-	-	-		
Other Fines, Penalties,Forfeiture Fees	-	-	-	-		
Total Arrears	-	-	-	-		

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CPA Edward Macharia
County Receiver of Revenue

………………………………………
CPA Machoki William Mwenda
Head of Revenue Reporting
ICPAK M/No:19584

11. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these revenue statements are set out below:

The principal accounting policies adopted in the preparation of these revenue statements are set out below:

1. Statement of Compliance and Basis of Preparation

The revenue statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting and relevant legal framework of the County Government Meru. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the county. The accounting policies adopted have been consistently applied to all the years presented.

The revenue statements have been prepared on the cash basis following the standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the county.

2. Recognition of Receipts

The county recognises all receipts from the various sources when the related cash has been received by the county.

3. Budget

The County Revenue budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The County budget was approved as required by law. The original budget was approved by the County Assembly for the period 1st July 2023-1 to 30 June 2024 as required by law. There was 2 number of supplementary budgets passed in the year. A high-level assessment of the County's actual performance against the comparable budget for the financial year under review has been included in these financial statements.

4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include revenue collection accounts held at Commercial banks.

5. Revenue in Arrears

This relates to revenue earned and is yet to be received or collected by the receiver of revenue. These arrears are disclosed under the statement of arrears as required under the PFM Act, 2012 Section 165 (2) (b) which is a memorandum statement.

6. Disbursements to CRF

The Receiver of Revenue has an arrangement for transfer of funds from its bank account to the CRF account. Total disbursements to the CRF are as a result of the transfer arrangement during the year.

7. Comparative Figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

8. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the revenue statements for the year ended June 30, 2024

12. Notes to the Financial Statements

1. Cess

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Farm produce	55,759,879.18	49,975,483.23
Quarrying	-	-
Livestock	-	-
Fish farming	-	-
Others *(specify)*	-	-
Total	**55,759,879.18**	**49,975,483.23**

2. Land rates

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Land rates	20,718,890.76	25,769,000.58
Land penalties and interest	926,288.24	1,152,065.64
Arrears	-	-
Total	21,645,179.00	26,921,066.22

3. Single /Business Permits

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Business permit application fees	6,146,759.80	6,467,178.41
Annual Business permit fees	116,788,436.20	122,876,389.70
Business permit penalties and interest	-	-
Business permit fees arrears	-	-
Total	**122,935,196.00**	**129,343,568.10**

Notes to the Financial Statements (continued)

4. Property Rent

Description	FY 2023/2024	FY 2022/2023
County Housing	-	-
Plot Rent	3,144,321.00	9,064,225.86
Tenancy Agreement	-	0
Transfer of Property	1,143,640.00	78,015.00
Stalls/kiosks rent	7,822,139.00	10,081,689.00
Others *(Specify)*	-	-
Total	**12,110,100.00**	**19,223,929.86**

5. Parking Fees

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Street parking fees	15,019,066.80	14,781,521.61
Monthly toll/sticker fees	5,506,991.16	5,419,891.26
Motorbike fees	-	0
Registration fees	2,002,542.24	1,970,869.55
Reserved parking	266,069.42	261,861.20
Bus Park fees	27,268,886.38	26,837,595.09
Others (*Specify*)	-	-
Total	**50,063,556.00**	**49,271,738.71**

Notes to the Financial Statements (Continued)

6. Market Fees

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Market entry fees	26,937,279.00	33,533,525.66
Hawking fees	-	0
Others		
Total	26,937,279.00	33,533,525.66

7. Advertising

Descriptions	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Branding	8,401,669.00	7,432,839.77
Billboard advertising	12,602,503.50	11,149,259.66
Signage	2,100,417.25	1,858,209.94
Roadshows	4,200,834.50	3,716,419.89
Banners	2,520,500.70	2,229,851.93
Posters	1,680,333.80	1,486,567.95
Tent advertising	5,041,001.40	4,459,703.86
Street pole/clock advertising	5,461,084.85	4,831,345.85
others *(Specify)*	-	-
Total	**42,008,345.00**	**37,164,198.86**

Notes to the Financial Statements (Continued)

8. Physical Planning and Development

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Sale of County planning documents	-	-
Land valuation and registration fees	-	-
Change / Renewal of user	-	-
Building plans approval	21,233,758.00	25,892,083.00
Signboards	-	-
Occupational Permits	-	-
Enforcement / Demolition	-	-
Architectural designs by county officers	-	-
Hoarding fees	-	-
Others (Application)	47,820.00	123,250.00
Total	**21,281,578.00**	**26,015,333.00**

9. Hire Of County Assets

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Hire of Machines and Equipment	-	-
Conference facilities/Agricultural Training Centers (ATC)	7,602,504.50	11,148,868.75
Others (*County Estates*)	289,766.00	52,900.00
Total	**7,892,270.50**	**11,201,768.75**

Notes to the Financial Statement (Continued)

10. Conservancy Administration

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Refuse disposal fees	233,600.00	263,000.00
Dumpsite fees	-	-
Sewerage fees	-	-
Sale of seedlings	-	-
Public cemetery	10,800.00	19,200.00
Disposal of carcasses	-	-
Noise control	-	-
Others (*Specify)*	-	-
Total	**244,400.00**	**282,200.00**

11. Administration Control Fees and Charges

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Weights and measures	1,492,819.00	2,101,674.00
Fire Services	84,382.00	69,000.00
Toilet Fess	503,620.00	577,620.00
Surrender of Imprest	4,533,302.10	313,002.00
Audit Fees	1,082,640.00	1,333,437.00
Meat Inspection and Veterinary Services	447,390.00	1,355,290.00
Slaughter House Fees	3,393,865.00	5,371,630.00
Library fees	595,166.00	-
Others (*Sale of Tender Documents)*	135,000.00	-
Total	**12,268,184.10**	**11,121,653.00**

Notes to the Financial Statement (Continued)

12. Other Fines, Penalties and Forfeitures

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Impounding Fees	2,862,470.00	2,586,950.00
Towing Fees	-	-
Others *(Specify)*	-	-
Total	**2,862,470.00**	**2,586,950.00**

13. Bank Charges

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Bank Charges & commissions	119,386.50	115,000.00
Total	**119,386.50**	**115,000.00**

14. Bank Balances

Name of Bank, Account No. & currency	Amount	Exc. rate (if in foreign currency)	FY 2023/2024	FY 2022/2023
			Kshs	Kshs
Co-operative Bank,01141418507201, Ksh	-	-	492,183.53	5,625,533.93
KCB Bank,1140746316	-	-	3,454,721.49	901,160.99
KCB Bank,1293077178	-	-	3,185.00	469,031.00
MPESA			95,010.00	-
Total	-	-	**4,045,100.02**	**6,995,725.92**

14 (a) Balance carried forward as at 30th June 2024 and subsequently transferred

Ref	*Amount (Kshs)*	*Date subsequently transferred*
Disbursement 1	**492,183.53**	*8th July 2024*
Disbursement 2	**3,549,731.49**	*8th July 2024*
Disbursement 3	**3,185.00**	*8th July 2024*
Total	**4,045,100.02**	

Notes to the Financial Statement (Continued)

15. Cash in hand

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Cash Balance *(Location)*	-	451,855.00
Mobile Money	-	-
Others *(Specify)*	-	-
Total	-	451,855.00

16. Payables- Due To CRF

Payables	*FY 2023/2024*	*FY 2022/2023*
	Kshs	*Kshs*
Balance b/f at the beginning of the year	**7,447,579.92**	**4,453,670.44**
Amount collected during the year	376,008,436.78	396,641,415.39
Amounts disbursed to CRF during the year	- 379,410,916.68	- 393,647,505.91
Balance c/d at the end of the year	**4,045,100.02**	**7,447,579.92**

17. Ageing Analysis of Revenue in Arrears

Description (indicate as applicable)	Less than 1 year	Between 1-2 years	Between 2-3 years	Over 3 years	Total
Cess	-	-	-	-	-
Land rate	-	-	-	-	-
Single/business permits	-	-	-	-	-
Property rent	-	-	-	-	-
Parking fees	-	-	-	-	-
Market fees	-	-	-	-	-
Advertising	-	-	-	-	-
Physical planning and development	-	-	-	-	-
Hire of County Assets	-	-	-	-	-
Conservancy administration	-	-	-	-	-
Administration control fees and charges	-	-	-	-	-
Other fines, penalties, and forfeiture fees	-	-	-	-	-
Others *(Specify)*	-	-	-	-	-
Total (*agree to statement of arrears)*	-	-	-	-	-

13 .Appendices

Appendix 1: A Report of Waivers and Variations of Fees or charges granted by the Receiver of Revenue during the year.

S/No	*Name of person / organisation benefitting from waiver/ variation*	*Year in which waiver/ variation relates*	*Amount of variation/ waiver (fee or charge)*	*Reasons for waiver/ variation*	*The law in terms of which the variation/waiver was granted*
1	8 Ruiri	2023	1,718.15	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
2	50 Kibirichia	2023	808.98	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
3	Ntima/Igoki 4734	2023	129.51	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
4	KRE / 80	2023	6,000.00	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
5	51 Githongo	2023	16.00	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
6	51 Githongo	2023	16.00	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)

7	18 Kathurine	2023	89.32	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
8	38A Kibirichia	2023	1,718.15	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
9	9B Mwanika	2023	1,778.06	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
10	99 Mwanika	2023	1,778.06	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
11	T 867	2023	5,528.00	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
12	38 B	2023	1,777.31	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
13	41 A TT	2023	1,592.00	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
14	107 Kithima	2023	13.84	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)

15	3A Kamatia	2023	14.04	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)
16	38B Ndunyu Mutunyi	2023	1,777.00	To waive penalties/interest so as to entice more defaulters to pay	PFM ACT 2012, 159 (1)

(PFM ACT section 165 subsection 4, 5)

4/12/2024.

Sign and date
Accounting Officer

Appendix 2: Progress on follow up of prior Year Auditor Recommendations.

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Inaccuracies in the presentation and disclosure of the revenue statements	Anomalies in the revenue statements were identified	Resolved	
2	Unsupported Revenue and loss of Revenue Data	Management automated all revenue streams and revenue data is now available	Resolved	
3	Unsupported and undisclosed arrears of revenue	This issue was identified and necessary action taken for the unsupported revenues as well as undisclosed arrears of revenue	Resolved	
4	Failure to collect Hawking fees	As per the county laws its illegal to carry out hawking fees,hence we do not charge any fees from hawkers	Resolved	
5	Innacurancies in the Single Business Permits Revenue	The issue was noted by the management and resolved accordingly.	Resolved	
6	Irregularities in Meru County Alcoholic Licensing and Control Board Revenues	Meru Revenue Board does not collect revenue from Meru County Alcoholic Licensing and Control Board.		

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report.

(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management.

(iii) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

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County Receiver of Revenue

CPA Edward Macharia

Date:4th December 2024

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Head of Revenue Reporting

CPA Machoki William Mwenda
ICPAK NO.19584

Date: 4th December 2024